



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

3101 Park  
Center Drive  
Alexandria, VA  
22302-1500

DATE: August 30, 2013

SUBJECT: Financial Management of the School Meal Programs

TO: State School Business Officials

Dear State School Business Officials:

This letter is to inform you of a new State monitoring process, authorized by the *Healthy, Hunger-Free Kids Act of 2010*, designed to examine a Local Education Agency's (LEA) compliance with Federal requirements of the Department of Agriculture's (USDA) school meal programs. This monitoring process, or Administrative Review, will require participation and cooperation from school business officials at LEAs participating in these Federal school meal programs (e.g., National School Lunch Program, School Breakfast Program, Food Distribution Program).

While the Administrative Review focuses on many aspects of the Federal school meal programs, one particular section monitors the LEA's compliance with Federal regulations that support the financial health of the school meal program's nonprofit food service account. This section is referred to as "Resource Management" within the Administrative Review.

As part of the Administrative Review, State agencies administering the USDA Federal school meal programs will conduct a risk assessment of each LEA to determine if SFAs nonprofit school food service accounts are at increased risk of noncompliance with Federal financial requirements. LEAs will receive a review in five (5) integral areas of the financial health. These areas include:

- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Non-program Foods
- Indirect Costs
- USDA Foods

LEAs determined to be at increased risk of noncompliance with the Federal financial requirements (per 7 CFR 210.14, 7 CFR 250 and 2 CFR 225) will receive a comprehensive Resource Management review by State agency officials in the financial areas list above, among other program requirements, during an Administrative Review. The Administrative Review must occur at least once during a three (3) year cycle for each LEA participating in the Federal school meal programs.

Since this is a new requirement, FNS wants to ensure that your office is made aware of the updated review and respectfully urges you to work with your counterparts in Federal school meal programs on this new monitoring process. Attached is a list of items that will be requested of the LEA's School Business Official by the State agency official

conducting the Administrative Review if the State agency determines that a comprehensive Resource Management review is necessary. In collaboration with your Federal school meal program counterparts, FNS further encourages you to share the attached list and the Resource Management portion of the Administrative Review for school meals with each LEA School Business Official within your State.

The State agency responsible for Federal school meal programs forwarded this letter to your office on behalf of FNS, and all questions or concerns should be directed to the appropriate personnel identified by that office.

Sincerely,

**Original Signed**

Cynthia Long  
Director  
Child Nutrition Division

Attachment

## **Resource Management Checklist Federal School Meal Programs' Administrative Review**

This Resource Management checklist includes items that may be gathered by the State agency conducting the U.S. Department of Agriculture's (USDA) Administrative Review of the school meal programs. The items listed below are necessary to complete the Administrative Review and may be requested of the Local Education Agency's. These items will assist the State agency to monitor the Local Education Agency's compliance with financial/resource management requirements as set by Federal regulations (7 CFR 210.14, 7 CFR 250 and 2 CFR 225) for the school meal programs. Local Education Agency's should be prepared to provide the following documentation to the State agency upon request.

### Maintenance of the Nonprofit School Food Service Account

- ☐ Year-end statement of revenues and expenses
- ☐ General Ledgers
- ☐ Other documentation showing revenues and expenditures to/from nonprofit food service account (e.g., balance sheets, invoices, receipts)

### Paid Lunch Equity

- ☐ Food and Nutrition Service's (FNS) "*Paid Lunch Equity Tool*" or the equivalent
- ☐ Previous school year weighted average price for paid lunches (if FNS Paid Lunch Equity Tool is not utilized)
- ☐ All paid lunch prices for October of the previous school year
- ☐ Number of paid lunches served associate with each paid lunch price in October of the previous school year

### Revenue from Nonprogram Foods

- ☐ Documentation demonstrating food costs of reimbursable meals
- ☐ Documentation demonstrating food costs of nonprogram foods
- ☐ Documentation demonstrating revenue from nonprogram foods
- ☐ Documentation demonstrating total revenue
- ☐ Copy of the most recent "*USDA Nonprogram Food Revenue Tool*" or alternative mechanism and supporting documentation used to determine the need to increase revenue from nonprogram foods
- ☐ Price charged for adult meals

### Indirect Costs

- ☐ Indirect Cost Rate Agreement
- ☐ Prior year's retroactive billing, if applicable
- ☐ List of classification costs (direct/indirect)
- ☐ Support documentation for indirect cost billing

### USDA Foods

- ☐ Documentation demonstrating the nonprofit school food service account received the full value of USDA Foods (e.g., reviewing current contracts with entities other than the state distributing agency, such as Food Service Management Companies or cooperatives, or other documentation related to proper attribution of the full value of USDA Foods)
- ☐ Documentation demonstrating proper storage and use of USDA Foods
- ☐ Records demonstrating account for the receipt, valuations, storage and use of USDA Foods
- ☐ Sample contracts, receipts, invoices and other related records, if applicable
- ☐ Bid document detailing the credit price by commodity type weights/case, if applicable
- ☐ Inventory report from processor or cooperative, if applicable
- ☐ Invoice/delivery receive from the processor/distributor showing the credit the nonprofit food service account received by commodity type, if applicable.